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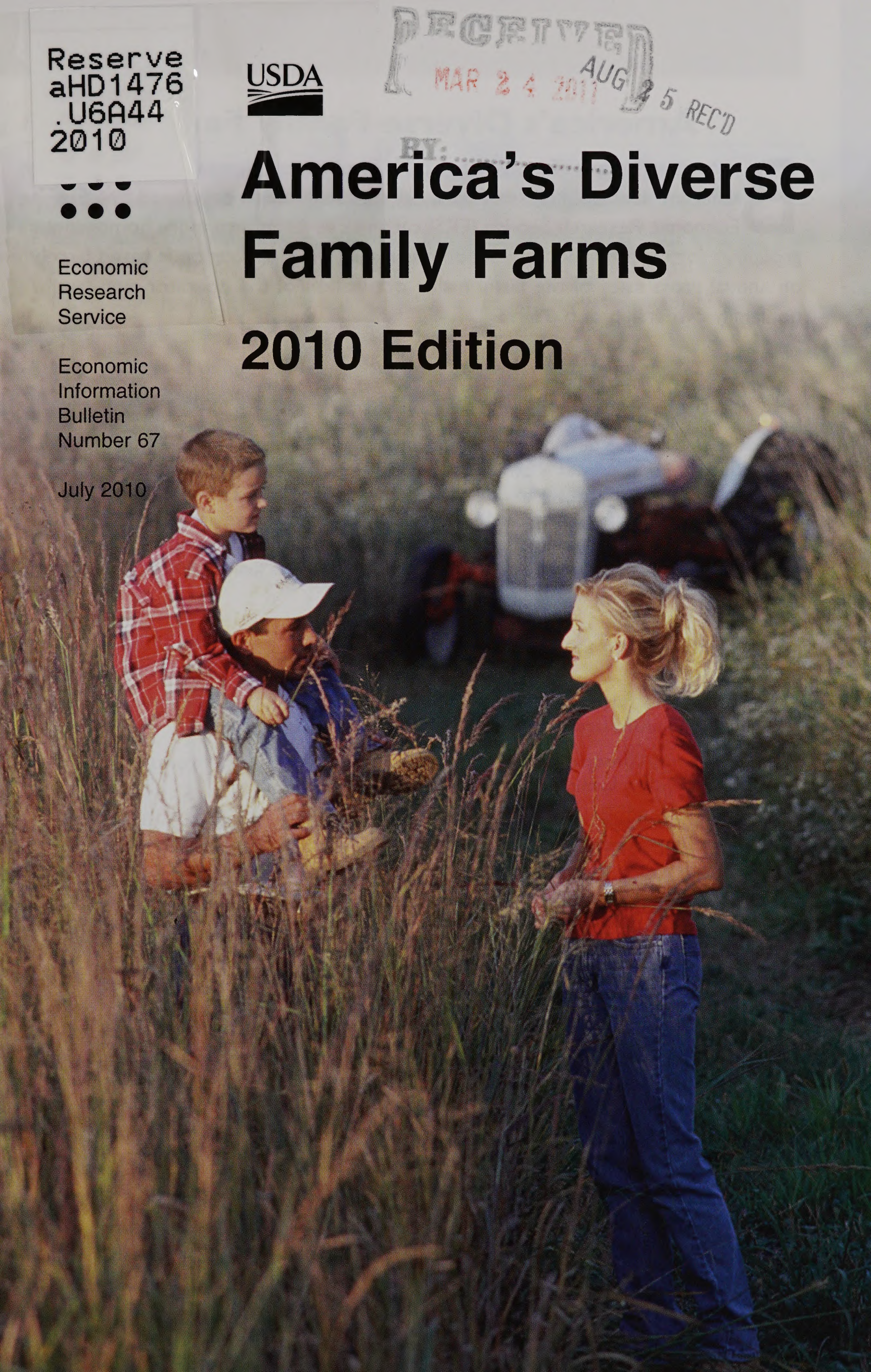
America's Diverse Family Farms

2010 Edition

Economic
Research
Service

Economic
Information
Bulletin
Number 67

July 2010



America's Diverse Family Farms

Broad descriptions of farms based on U.S. averages can mask variation among different sizes and types of farms. A farm classification developed by USDA's Economic Research Service (ERS) categorizes farms into more homogenous groupings for reporting and evaluation purposes. The classification is based largely on annual gross sales of the farm, major occupation of the operator, and family/nonfamily ownership of the farm.

Farm Types, 2007

The farm classification developed by ERS focuses on the "family farm," or any farm where the majority of the business is owned by the operator and individuals related to the operator, including relatives who do not live in the operator's household. USDA defines a farm as any place that produced and sold—or normally would have produced and sold—at least \$1,000 of agricultural products during a given year. USDA uses acres of crops and head of livestock to determine if a place with sales of less than \$1,000 could normally produce and sell that amount.

Small family farms (sales less than \$250,000)

- **Retirement farms.** Small farms whose operators report they are retired, although they continue to farm on a small scale.
- **Residential/lifestyle farms.** Small farms whose operators report a major occupation other than farming.
- **Farming-occupation farms.** Small farms whose operators report farming as their major occupation.
 - **Low-sales.** Gross sales less than \$100,000.
 - **Medium-sales.** Gross sales between \$100,000 and \$249,999.

Large-scale family farms (sales of \$250,000 or more)

- **Large family farms.** Farms with gross sales between \$250,000 and \$499,999.
- **Very large family farms.** Farms with gross sales of \$500,000 or more.

Nonfamily farms

- **Nonfamily farms.** Any farm where the operator and persons related to the operator do not own a majority of the business.

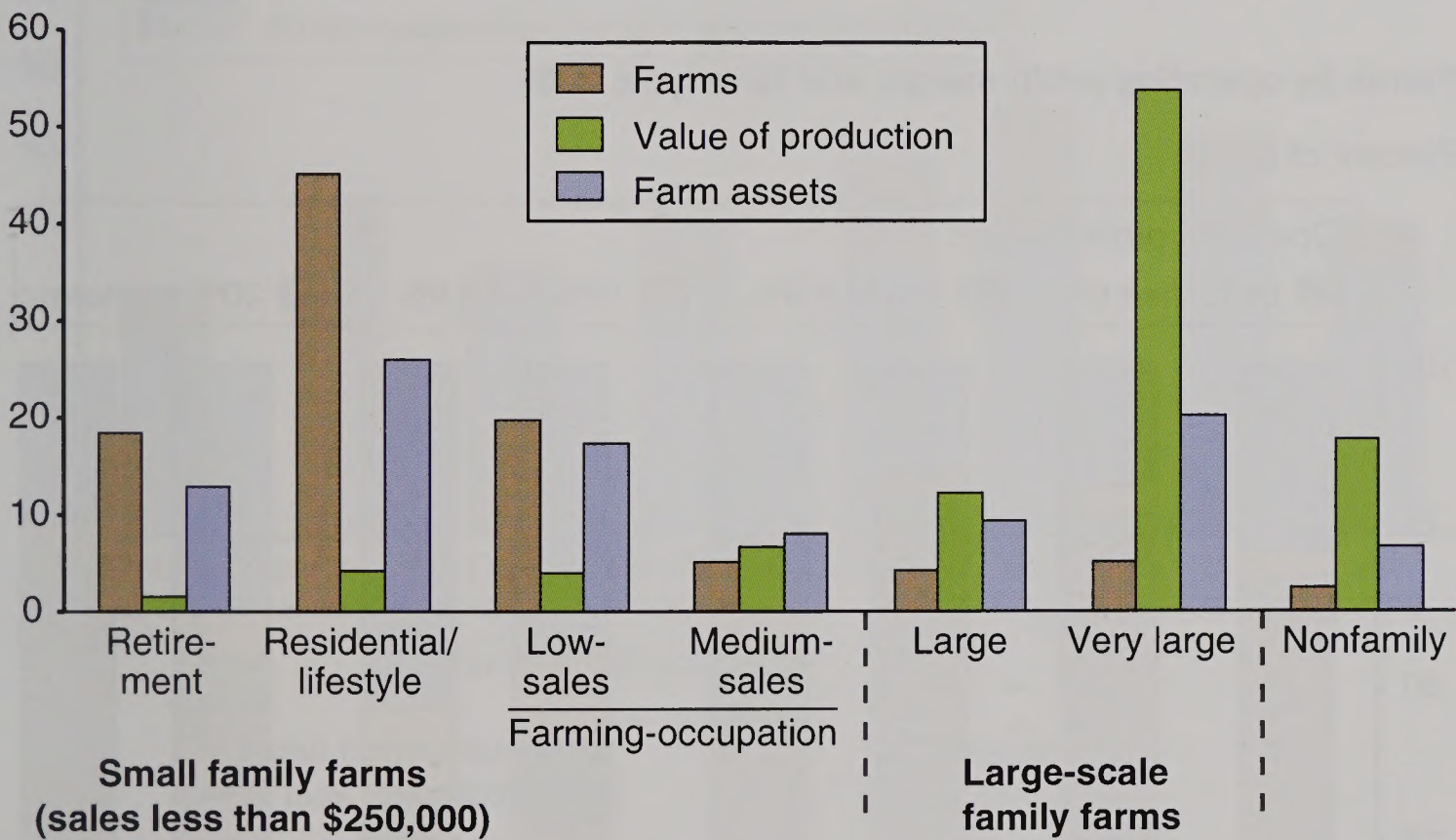
Farms, Assets, and Production

Most farms are small, and most farm assets are on small farms, but small farms account for only 16 percent of production.

- Eighty-eight percent of farms are small, and these farms account for 64 percent of farm assets, including 63 percent of the land owned by farms.
- Large-scale family farms and nonfamily farms account for 84 percent of production.
- Family farms of different sizes account for 98 percent of farms and 82 percent of production.

Distribution of farms, value of production, and farm assets by farm type, 2007

Percent of U.S. farms, production, or assets



Differences among farm types are illustrated in this brochure using 2007 data from the Agricultural Resource Management Survey, an annual survey conducted by USDA's ERS and National Agricultural Statistics Service.

For more information about the diversity of U.S. farms, see ERS's *Structure and Finances of U.S. Farms: Family Farm Report, 2010 Edition*.



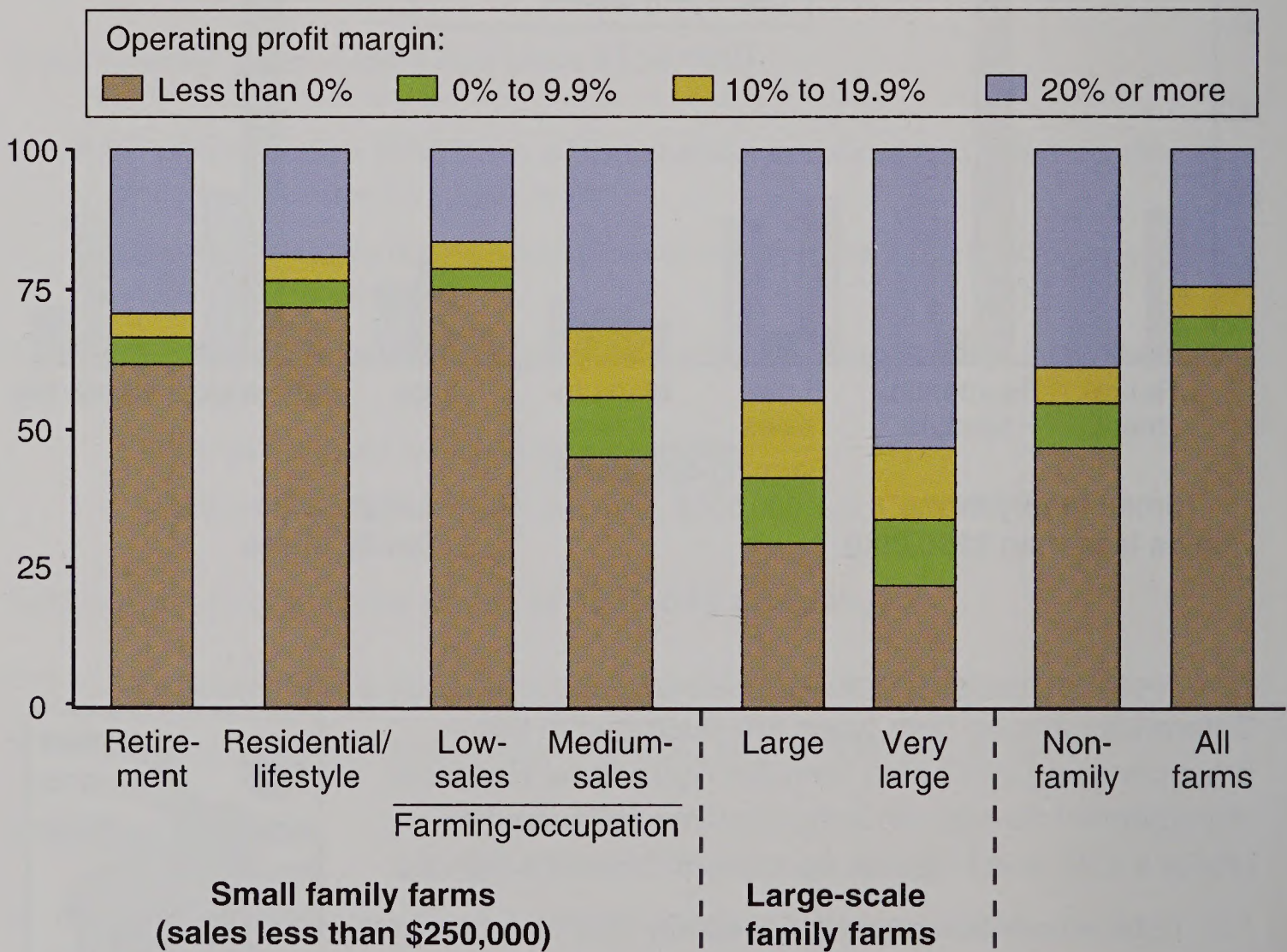
Farm Financial Performance

Small farms are more likely to have a negative profit margin, but some are profitable.

- Forty-five to 75 percent of the farms in each small farm type had a negative operating profit margin in 2007.
- Other small farms were more profitable: between 17 and 32 percent of each small farm group had an operating profit margin of at least 20 percent.
- Nevertheless, an even greater share of large-scale farms had operating profit margins that high, and most large-scale farms had positive margins.
- Only 3 percent of U.S. farms are classified as vulnerable (negative net farm income and debt/asset ratio greater than 40 percent), and the majority (71 percent) of these farms are residential/lifestyle farms.

Farms by operating profit margin and farm type, 2007

Percent of group



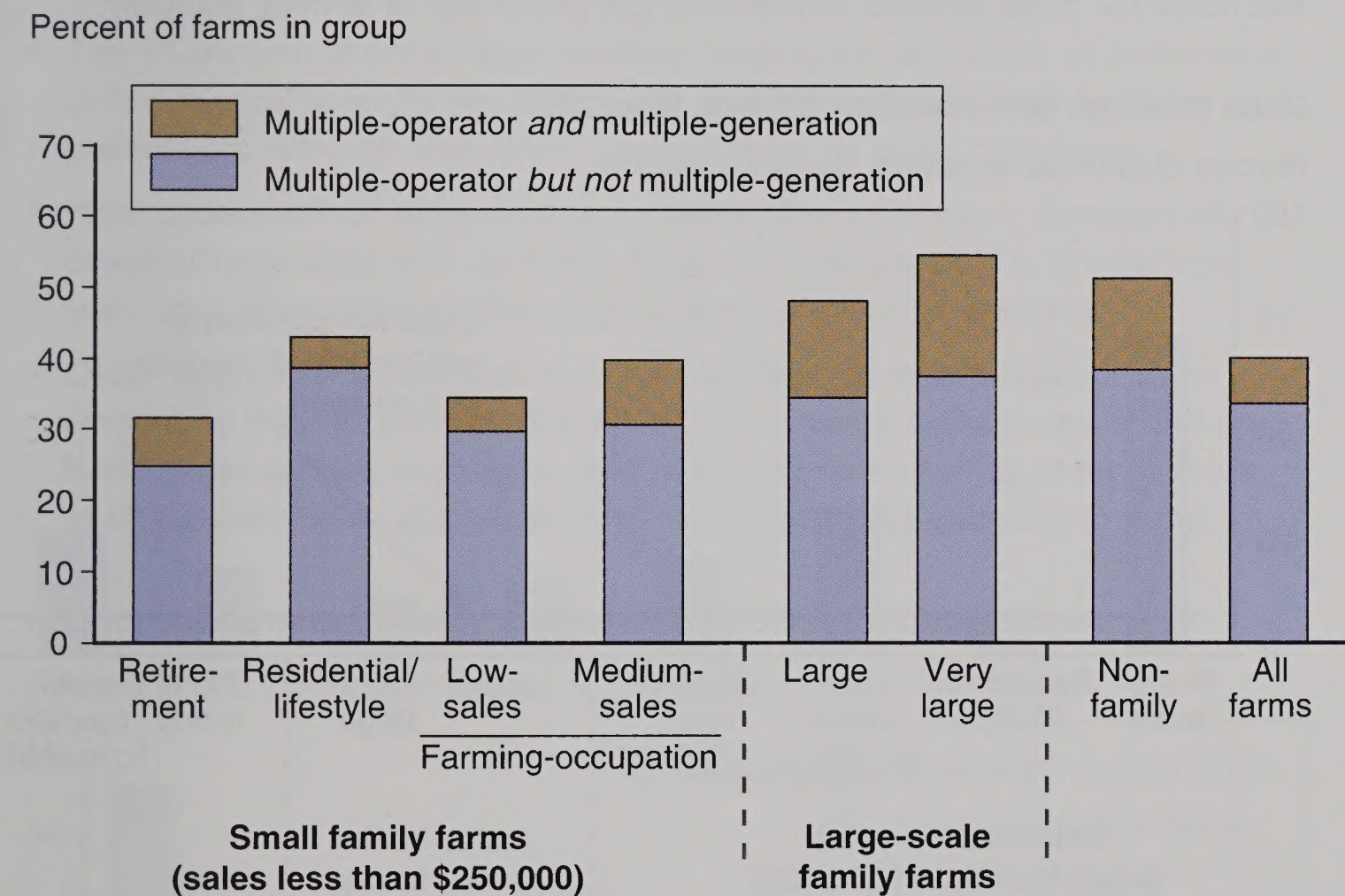
Operating profit margin = 100% X (net farm income + interest paid – charges for operator and unpaid labor – charge for management) / gross farm income.

Farms and Farm Operators

Many farms have multiple operators, and many large farms have multiple generations of farm operators.

- Multiple-operator and multiple-generation enterprises are most common among large-scale family farms and nonfamily farms.
- Generational life-cycles, particularly the presence or absence of younger related operators, may affect farm expansion and contraction decisions.

Multiple-operator and multiple-generation farms by farm type, 2007



Multiple-operator farms have more than one operator. **Multiple-generation farms** are multiple-operator farms with a difference of at least 20 years between the ages of the youngest and oldest operators. **Single-operator farms** have only one operator (not shown).



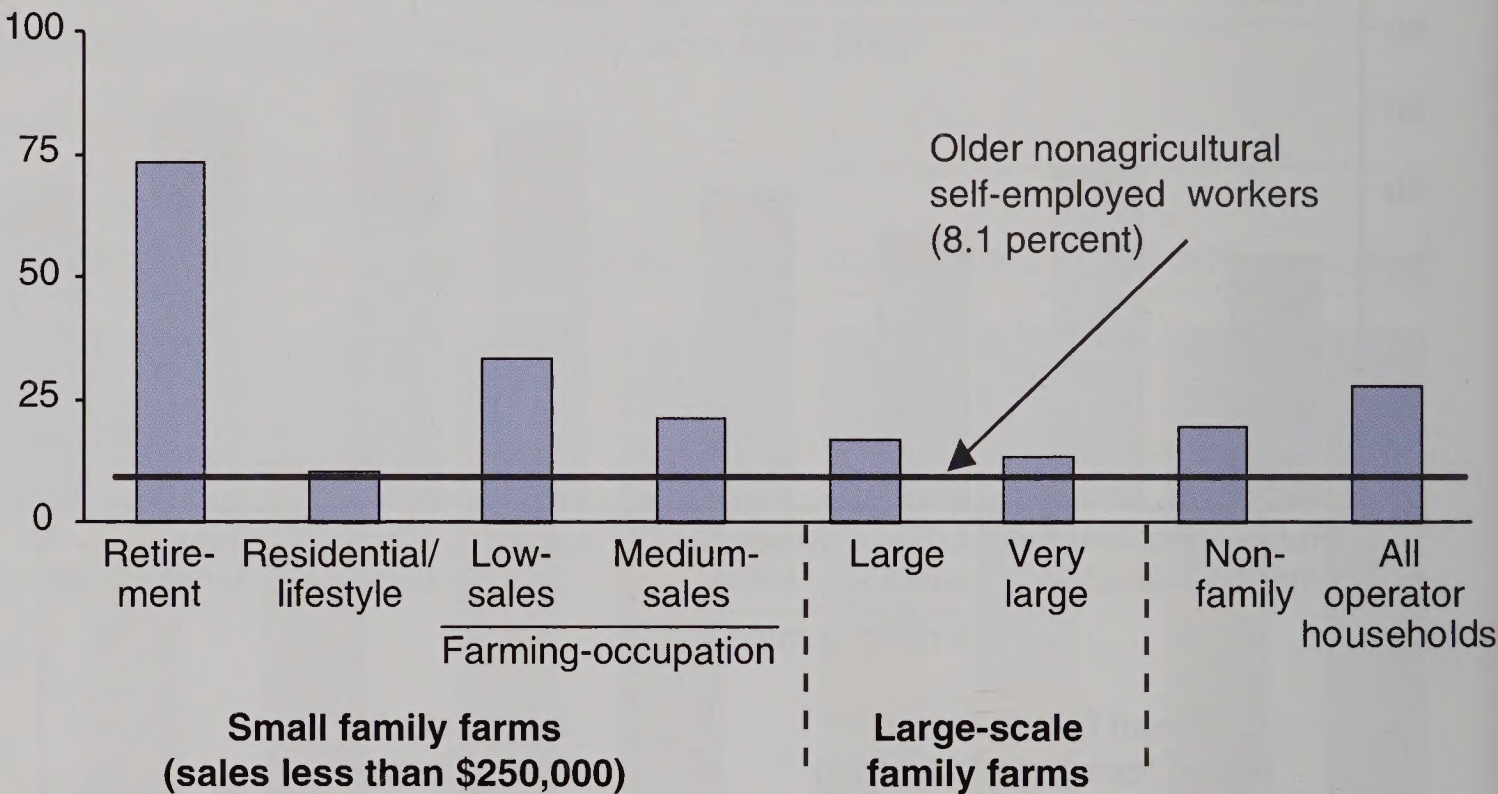
Farms and Farm Operators (continued)

The most striking characteristic of principal farm operators—the operator most responsible for running the farm—is their advanced age.

- About 28 percent of principal farm operators are classified as older (at least 65 years old), compared with only 8 percent of self-employed workers in nonagricultural businesses.
- Retirement farms had the highest percentage of older operators (73 percent)—as one might expect—followed by low-sales farms (33 percent).
- The advanced age of farm operators is understandable, given that the farm is the home for most farmers and farmers can phase out of farming gradually.

Older principal farm operators by farm type, 2007

Percent of principal operators classified as older



The **principal operator** is the operator most responsible for running the farm. In the case of single-operator farms, the sole operator is a principal operator. **Older operators** are at least 65 years old.

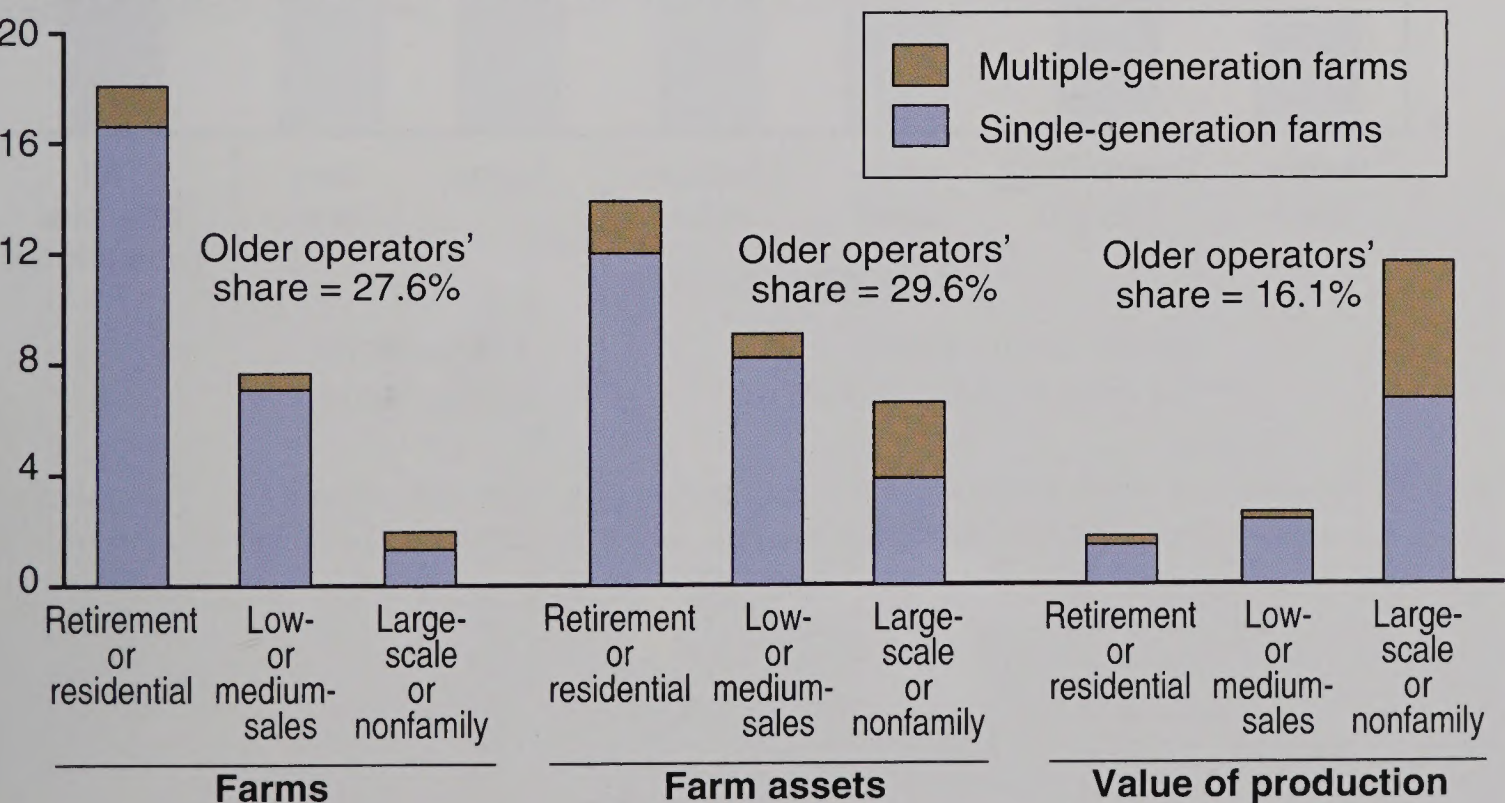


Older operators’ 28-percent share of U.S. farms—and their 30-percent share of U.S. farm assets—raises questions about a future mass exit of farmers from agriculture and the likelihood of finding younger operators to replace them and productively use their assets.

- The exit of older farmers appears less ominous if one examines the types of farms they operate; the assets to be absorbed are much less than 30 percent of total farm assets.
- Most older farmers operate retirement or residential/lifestyle farms, accounting for less than 2 percent of U.S. production.
- The 14-percent share of farm assets held by older operators of retirement and residential/lifestyle farms does not contribute significantly to their production, although they often rent farmland to other operators.
- Most production of older operators comes from the more commercially oriented large-scale and nonfamily farms (12 percent of U.S. production) and—to a lesser degree—farming-occupation farms (3 percent).
- Older operators’ assets that must be absorbed to maintain production amount to only 12 percent of total U.S. farm assets—the assets found on farming-occupation, large-scale, and nonfamily farms run by older farmers as single-generation operations with no replacement operator in place.

Distribution of farms, assets, and production of principal operators, 2007

Percent of U.S. farms, farm assets, or production



Older operators are at least 65 years old.

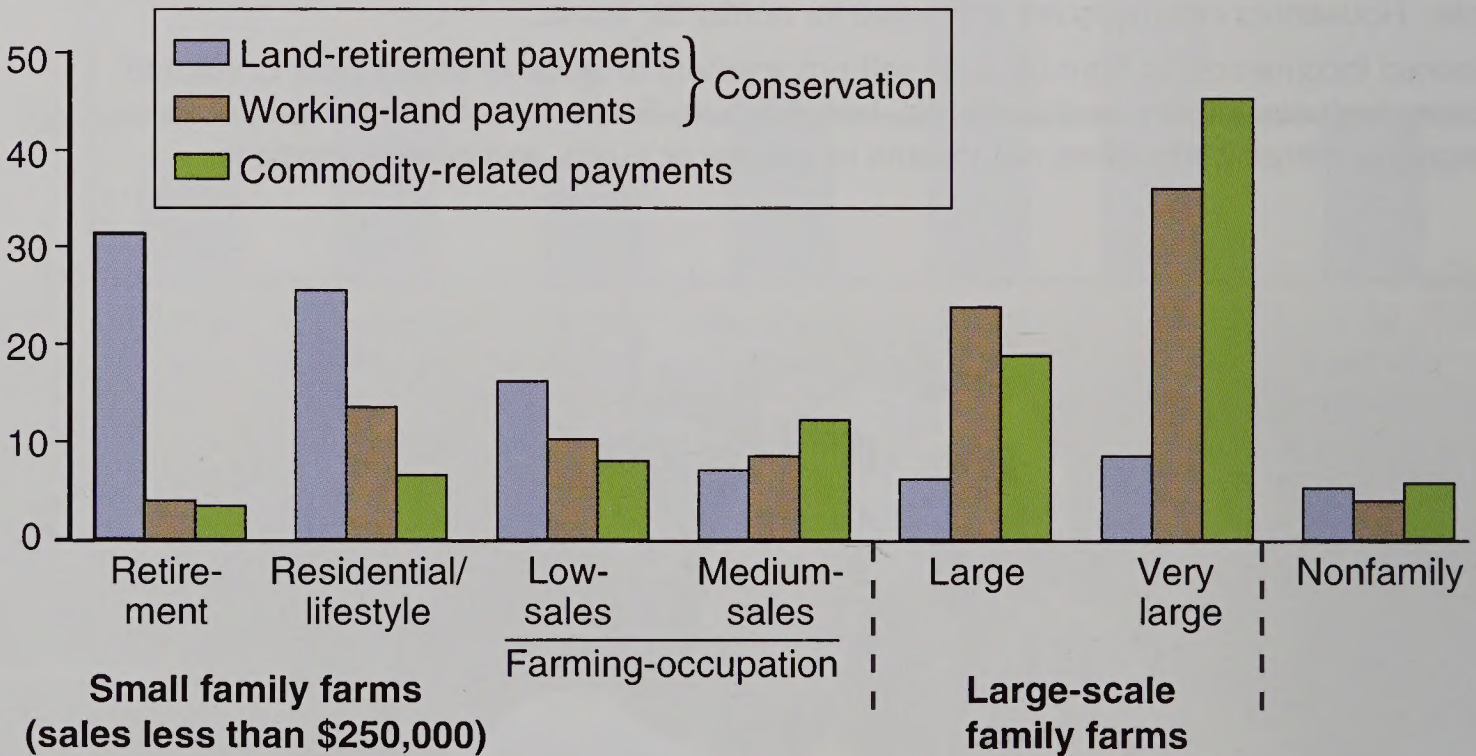
Government Payments

Commodity-related Government payments largely go to medium-sales and large-scale family farms, working-land conservation payments mainly go to large-scale farms, and most land-retirement payments go to smaller farms.

- Commodity program payments reflect acreage in crops historically eligible for support; 76 percent went to family farms with at least \$100,000 in sales in 2007.
- About 60 percent of working-land conservation payments went to large-scale farms since these programs target production—although indirectly—by targeting environmental programs on lands in production.
- Land-retirement programs, however, target environmentally sensitive land—regardless of its production—and retirement, residential/lifestyle and low-sales farms received 73 percent of these payments.
- The share of farms receiving Government payments is particularly high for medium-sales small farms and large-scale farms, largely due to their participation in commodity-related programs.

Distribution of government payments by farm type, 2007

Percent of U.S. payments



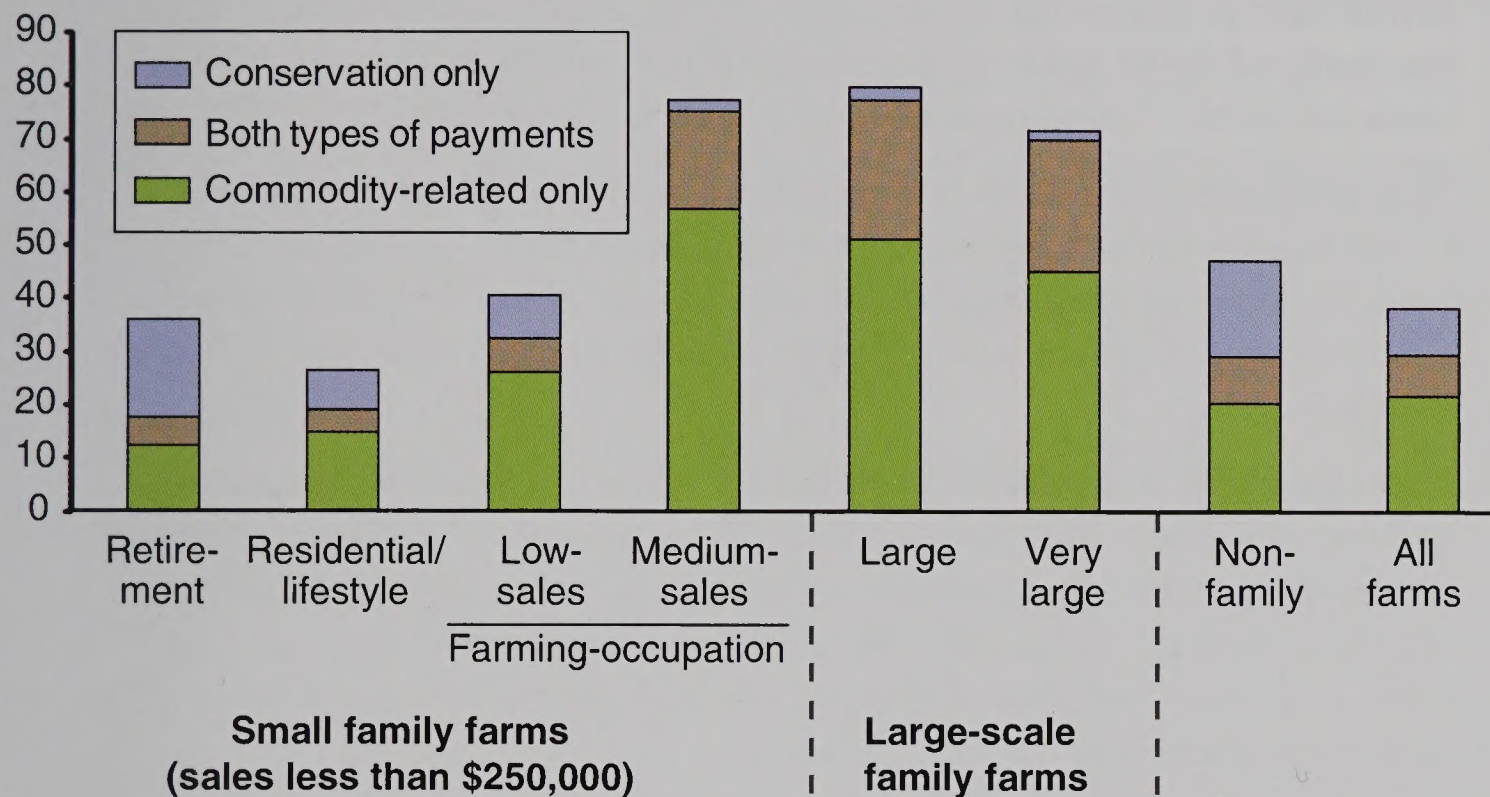
Conservation programs:

- **Land-retirement programs:** Conservation Reserve Program, Wetlands Reserve Program, etc.
- **Working-land programs:** Environmental Quality Incentives Program and Conservation Security Program.

Commodity-related programs: Direct payments, countercyclical payments, marketing loan benefits, agricultural disaster payments, etc.

Farms receiving government payments by type of payment and farm type, 2007

Percent of farms in group

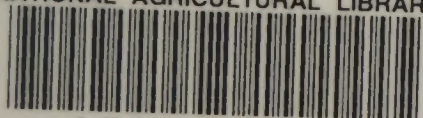


Sources of Data on Government Payments

ARMS relies entirely on the responding farm operators for program-related information and records only the payments they report as received by the farm. As a result, the survey shows different levels and composition of Government payments than do administrative data, which are based on payment records kept by the agencies involved. Administrative data include payments received by persons who do not farm, mainly nonoperator landlords. ARMS data account for 86 percent of total Government payments recorded by administrative data, after adjusting for payments to nonoperator landlords.

The advantage of the ARMS data is that they include information about the farms receiving the payments. Administrative data, in contrast, contain limited information about the characteristics of farms receiving Government payments.

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Farm Policy and Family Farms

- **Farming is still an industry of family businesses.** Ninety-eight percent of farms are family farms, and they account for 82 percent of farm production.
- **Small farms make up most of the farm count and account for the bulk of farm assets, including farmland.** Most farm production, however, occurs on large-scale and nonfamily farms.
- **The nonfarm economy is critically important to operators of small family farms.** Because small-farm households rely on off-farm work for most of their income, general economic policies, such as tax or economic development policy, can be as important to them as traditional farm policy.
- **Twenty-eight percent of U.S. farms have a principal operator at least 65 years old.** Most of these older operators, however, are on retirement or residential/lifestyle farms that produce only 2 percent of U.S. farm output. In addition, some larger, more commercially oriented farms with older principal operators are multiple-generation farms, with a younger replacement operator in place.
- **Different farm policies affect distinctly different sets of farmers.** Commodity program payments largely flow to medium-sales, large, and very large farms; most working-land conservation payments go to large-scale farms; and land-retirement payments go to retirement, residential/lifestyle, and low-sales farms. Most farms, however, do not receive government payments and are not directly affected by them.

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July 2010
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